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ECONOMIC FORECASTING CENTER

MONTHLY PROJECTIONS
January 1991

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WAR AND RECESSION!!

Anyone who thought that the beginning of war would end recession certainly thought differently after the January **EMPLOYMENT SITUATION** was announced. Almost everything in that report indicated that the free-fall in economic activity that began in October remained intact except for the December pause from the decline. The workweek fell by half an hour; hourly earnings were down, although composition shifts in employment probably accounted for most of that change; payrolls collapsed by 232,000 jobs and this was after an 85,000 job rebound in retailing because those not hired for Christmas were not fired afterwards. The bulk of the weakness was in construction, which might have faced some weather disruptions, and in manufacturing. However, declines also occurred in communications, finance, wholesale trade, real estate, business services and state and local payrolls. The diffusion index improved slightly to 45% from 41%, but remained entrenched in the recession area.

Thus, all the euphoria building when personal income, consumption, durable goods orders and leading indicators all were better than expected for December was dashed by the magnitude of the January weakness. Even if weather accounted from some of the shortened workweek, the index of hours worked in the first quarter probably will fall as much as in the fourth. Moreover, the measurement errors that probably overstated GNP and led to measured productivity gains of nearly 2% for the fourth quarter beginning of recession (an amazing result), may be reversed in the winter. Therefore, GNP probably will fall by more in the first quarter than in the fourth. Certainly, the Federal Reserve reached the same conclusions when they saw the report and decided to reduce the discount rate and lower the federal funds rate by a half point.

Prior to that report, the GNP release suggested that the recession was rapidly burning itself out. Most of the weakness during the fall was in consumer purchases of autos and reduced production for inventory. Because of surge in export activity, final sales were basically unchanged during the quarter. One could readily conclude that the slump in consumer durables soon would run its course (replacement needs currently exceed the sale of

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vehicles). Because inventories are being managed well, no second stage of production cutbacks to clear the warehouse of excess inventories was necessary. The only apparent stumbling blocks to a quick recovery were a reversal of current strength in international markets and a free-fall in construction. Construction is not healthy but housing activity already is below a million units, or more than 400,000 less than net household formations. Office vacancies remain intense but construction is slowing sharply. Retail space is excessive, but no one is adding to the glut. In other words, a construction collapse would require a rapid adjustment to remove excesses because no new excesses are developing.

Of course, the continuing shift in credit quality required by banks could generate that construction free-fall that normally could be ruled out. Commercial and industrial loans are well below previous year levels, and much of the restraint is in construction. Despite massive growth in the monetary base during the past three months, money growth has been nil. Part of this surprising result is the continued surge in currency demand, apparently to provide liquidity in other countries. However, weak loan activity also contributes to such sluggish growth. Indeed, as banks are writing off previous loans, their capital base is eroding. Therefore, their capacity to support prevailing portfolios is diminishing. Indeed, our construction expenditures for the first quarter show even a larger rate of decline after price adjustment than during the fourth quarter. Moreover, expenditures were revised downward sharply for November, suggesting that the GNP construction estimates are too high. Thus, some problems certainly remain in the construction industry.

Little difficulty seems to exist in the export markets, except to the extent that the world economy is slowing. The spending stimulus of German reunification continues to generate Europe, but growth is slowing sharply for the English and the Mediterranean countries. Asian markets also are growing more slowly. Part of this is caused by attempts in Japan to slow their economy. They apparently will slow it to less than three percent. Another part is the slowing of the major market for many of those countries, the United States. Thus, world growth probably will slow to less than 2% in 1991, considerably less than the more than 3% recorded in 1990. Certainly, exports will not continue to add $11 billion to GNP each quarter.

However, the collapse of imports appears to be overdone. To be sure, if inventory holdings are falling, as the GNP report suggests, some of those goods would be from foreign producers. But imports fell $12 billion after adjustment for price changes, and the price changes were a dramatic 28% increase. Oil was the culprit, but the convention of using only domestic prices to deflate investment goods in the U.S. accounts may lead to a greater reduction in imports (an offset to GNP) than in the sectors where those imports reside e.g. inventories, capital goods, etc. The surprisingly low fixed weighted GNP deflator suggests that just such a distortion probably occurred. Certainly, rising oil prices (half of which is produced domestically) led to higher inflation. The economy had not slowed fast enough or deep enough for enough other price concessions to offset the oil price surge. Yet, that is exactly what the GNP report indicated. Now that oil prices are falling, the bias in this deflation process should be reversed, leading to higher deflators than actual inflation.

A measurement problem would not be enough for the Federal Reserve to react so dramatically to renewed signs that the recession was intensifying. What they are concerned about is that enough people will lose their jobs so that personal income actually falls. Then, improving consumer confidence will not be enough to reverse the downward direction, because not enough purchasing power would be in people's pockets (a Keynesian response to initial weakness). With falling employment, workweek, and hourly earnings, personal income almost certainly fell significantly in January. Also, if economic activity falls enough, so much unutilized capacity will exist to lead to cancellation of orders for new equipment. As a result, the relatively robust orders books for manufactured goods could vanish almost immediately. These multiplier and accelerator responses to initial weakness could lead to a substantially weaker and deeper recession that otherwise would occur. Therefore, the Federal Reserve is correct in reacting quickly to signs that the economy is still eroding rapidly.

Also, a war in the middle east could have serious consequences upon economic activity here. In addition to how the war may impact economic activity abroad (e.g. the Japanese are thinking about raising taxes in order to provide for their additional pledge of $9 billion to the effort), three other factors appear to be important.

1). The war costs lots of money. Every day of hostilities costs more than $500 million. Full scale hostilities with substantial equipment damage could triple the daily costs. Offsetting some of these costs are contributions from our Allies. They already have pledged $45 billion, although substantially less than that has been received. Also, some of the ordnance and equipment would have been surpluses as the European risk diminishes. Therefore, replacement costs are not as staggering as the book value of the equipment being used up. Although deficit estimates are difficult to determine because of the uncertainties involved, a long war probably would not generate substantially more contributions and would require replacement of equipment. A short war could have minimal impact upon government deficits.

To the extent that the war will raise deficits, the fear of financing probably will increase interest rates before and slow the economy before the additional replacement spending begins to create jobs. Thus, some extension of the recession is likely, although the war probably will be stimulating the economy by the end of this year.

2). Wartime uncertainties have slowed spending by consumers and investors. Also, reservists face prospects of being called up. Normally, consumer confidence can be estimated by changing employment, interest rates, and inflation. However, the drop in confidence since August was far greater than those variables would generate. Reality appears to be less frightening than possibility. Iraq's offensive capability is limited. Although its army certainly may force many casualties, an allied victory in a short enough time to preclude any slackened support for the war is increasingly likely. Therefore, consumer confidence actually may improve modestly as the war continues.

3). About 20% of the world's oil production is in the war zone. Higher insurance rates have disrupted tanker movement into the area. However, enough oil exists to insure adequate supplies for the remainder of the heating season. Then, world demand falls by more than 3 million barrels a day. Although some war premium remains justified for oil, the size of that premium should fall dramatically now that the risk of attacking Saudi refineries and oil fields is remote. This is one area where the fear of war has been more debilitating than the conflict itself.

Although all the above wartime issues remain uncertain, the financial burdens of war in the United States may be far less than originally expected. After receiving allied pledges and using equipment that otherwise would have been surpluses, deficit increases may be as little as $20-$30 billion. Moreover, the pledges and deficit financing will purchase more than $60 billion of equipment. Thus, the spending and financing part of this war may be less significant than originally expected.

Clearly, the consumer confidence impact currently is favorable. A long war with many casualties could change this, but the worst of the dip in confidence may already have occurred.

Certainly, oil prices will fall into the teens by spring. This will restore virtually all the purchasing power that the fear of war had exhausted. Even our trade deficits should narrow sharply later this year, leading to some stability for the dollar.

Thus, hostilities will not have the adverse impact that fear of hostilities created. On the other hand, any recession blunting expenditures will not surface until after the recession is over. And the recession remains. Federal Reserve action and the more favorable conditions from the conflict should end the recession before employment declines substantially more and orders begin to dry up. Thus, the recession should remain modest, but a long war clearly would change that assessment.

nthly Statistical Highlights

	JANUARY 1991	FEBRUARY 1991	MARCH 1991
yroll Employment		36,000	32,000
dex of Hours Worked		0.7%	0.0%
ousehold Employment		52,000	30,000
ivilian Unemployment Rate		6.4%	6.5%
ersonal Income	-0.4%	0.3%	0.3%
avings Rate	3.9%	3.9%	3.7%
ersonal Consumption	-0.1%	0.3%	0.5%
etail Sales	-0.5%	0.1%	0.5%
uto Sales	8.6*	8.6*	9.0*
ousing Starts	-2.5%	-0.3%	2.1%
ousing Permits	-0.6%	-0.6%	1.3%
onstruction Expenditures	-1.5%	-0.6%	-0.2%
usiness Inventories	0.2%	0.2%	0.2%
rders for Durable Goods	-0.7%	-0.2%	1.6%
rders - Nondefense Capital Goods	-7.3%	-2.8%	5.8%
ndustrial Production	-0.7%	-0.2%	-0.1%
PI	0.3%	0.1%	0.0%
PI	0.0%	-0.3%	-0.5%
onsumption Deflator	0.4%	0.1%	0.0%
eading Indicators	-0.9%	0.3%	-0.3%
urrency Index	-1.9%	0.8%	-1.9%
quity Index	-1.4%	6.1%	2.7%
eal GNP (annual rate)	-11.0%	0.0%	-2.0%
1 (annual rate)	-2.0%	3.3%	3.1%
2 (annual rate)	-1.2%	2.7%	3.0%

* auto sales in millions

COMMENTARY

EMPLOYMENT-Almost everything was negative about the EMPLOYMENT SITUATION for January. The 155,000 drop in construction employment was weather impacted, but a sharp drop certainly would have happened anyway. Durable manufacturing showed substantial weakness in a 69,000 dip in manufacturing. The auto sector returned to its November level after December, when seasonal shutdowns actually led to higher seasonally adjusted employment than actually occurred. Just as the December stability in manufacturing employment did not reflect improving production, the plunge in auto employment does not mean substantial weakness. Also, weather probably shortened the workweek. Nevertheless, a half hour decline in the workweek virtually assures substantial weakness in production and personal income for January.

Even with an anticipated rebound in hours next month, the index of hours worked will fall another 4% this quarter. Productivity is not going to rebound strongly for two consecutive quarters while production is falling sharply. Therefore, a greater drop in GNP is likely in the winter than during the fall. The diffusion index was the only positive development, with only 45% of firms reporting additions to their workforce. This is up from 41% last month, but remains firmly at recessionary levels.

The seasonal problems with retail employment were apparent, as that sector exhibited an 85,000 job gain. This develops because those not hired temporarily are not fired after Christmas. As the seasonal factors expect a Christmas surge and then a post-holiday slump, employment was reduced by the seasonals during the season and will now rise seasonally in January and February. Indeed, that seasonal factor, a rebound from weather impacted construction, and some rebound in the surprisingly depressed government sector should generate some growth in employment for February.

The drop in hourly earnings reflects the shift in employment compensation (relatively more retail clerks and fewer construction workers). When the composition shifts stabilize, hourly wages will be about half a percent less robust than last year.

Household and payroll estimates of employment declines are similar since the recession began (a probable June peak). We have included percentage changes in labor force below the unemployment estimates to show how slowly the labor force has grown in the past and is projected to grow in the future. Population is growing about 1%, so the 0.7% growth in labor availability reflects some reduction in the desire to work, either because they are discouraged or because alternatives to the labor market exist.

PERSONAL INCOME AND OUTLAYS-$27 billion of the $33 billion gain in personal income during December was in wages and salaries. Little change occurred in farm income while property income slowed its growth slightly. A longer workweek and higher earnings accounted for this gain. In January, wages and salaries will fall sharply. Also, the Department of Commerce amortizes social security taxes to the beginning of the year, not when they are paid. Therefore, the additional medicare tax will cause a substantial increase in social security payments in the GNP accounts even if no changes are likely in spending capability until late in the year. When these factors are combined, personal income will fall sharply in January.

Partially offsetting this will be moderation in tax liabilities to reflect the impact of indexation on tax payments. Also, as inflation eases, especially for nondurable goods, outlays will need to grow less to preserve current purchasing power. Even so, auto sales should remain sluggish. Some improvement is likely at the end of January, but consumers are not yet willing to cast their cautions away. Falling housing sales will caused reduced purchases of consumer durables. Therefore, durable purchases should again be falling in the winter.

However, more normal weather will lead to some growth in services expenditures. Also, the sluggish dollar sales for nondurables reflects sharp reductions in inflationary pressures. At this point, the slump in consumer spending during the fall should not persist. But the savings rate is low (3.9%) and uncertainties are great. Therefore, more sluggish consumption than reflected here is more likely than a spending surge.

CONSTRUCTION-The slump in construction shows no end. Single family housing sales reached the lowest level since 1982 during December at less than 450,000 homes. Inventories of unsold homes are controlled, rising only to 8.4 months; but that is a level that precludes financing for homebuilders. Sales in the west may be stabilizing, but the midwest is beginning to weaken. Permits suggest that further declines in both single and multiple units are likely into the spring. Obviously, this slump in housing starts is being reflected in residential expenditures. Although the rebound in housing starts during the spring appears robust, the level of activity is so low that only minor gains lead to large percentage changes. Also, financing may be even more significant in stimulating apartment units than in generating single family activity.

The collapse in non-residential expenditures during the fall also may reflect tightening credit conditions. At this time, a resolution of these financing issues is assumed. Certainly, this is one area that requires close attention to see if the spring rebound can materialize. The surge in public construction clearly is unsustainable and probably reflects project timing. Modest gains are expected there following a substantial slump during the winter months.

Construction prices have reflected composition changes more than actual shifts in inflationary pressures. Those composition issues should persist, although further actual declines in construction costs are not anticipated.

BUSINESS ACTIVITY-The December surge in orders for durable goods must be put in perspective. Orders fell during the fall, and they are projected to fall in the winter. The rebound in military orders was from a level well below shipments. Some further rebound is expected because of the Persian Gulf. However, military shipments are not expected to be substantial. The surge in orders is largely confined to transportation equipment. Moreover, those orders should slow with the current financial strains in the airline industry worldwide. Only minor changes are expected in shipments.

Although business inventories increased in the fall, prices were responsible for the change. In the winter, prices will be moderating. Indeed, these estimates may be too strong. They feed into the GNP estimates, which suggest at least one area where our estimates could be overstated.

The collapse in industrial production also reflects a strong drop in GNP than measured by Commerce. Our analysis suggests that a further strong drop is likely during the winter. Falling auto assemblies, declining production of industrial materials, and reductions in business equipment account for this weakness. Of course, the large drop in capacity utilization provides another worry. Below 78%, order cancellations begin to become significant. As a result, capital spending could fall sharply. Our current PROJECTIONS show a decline to 78% but not below.

PRICES-Even with our adjustment for composition changes, we could not generate a 2.8% deflator. Our fixed weighted deflator also could not fall to 4.2%, or the same rate of inflation as in the previous two quarters. We are assuming that the distortions will be reversed during the next two quarters. Thus, the deflators are higher than they would be because of price pressures alone.

Our estimates show smaller price declines for consumer nondurables (including energy) than may develop. However, higher food prices because of the California freeze accounts for some of the discrepancy. Offsetting this, however, is a sharper improvement in service inflation than may materialize. These gains are based upon a slowing in housing costs. Except for December, no such slowing was apparent. Thus, our price estimates appear to be showing potential offsetting errors in various components that should lead to reasonable anticipations of actual conditions.

MISCELLANEOUS-Enough has been said about the GNP estimates except to say that the revised construction figures no longer generates the 2.1% decline for the fourth quarter. Any other revisions almost certainly will require further weakness. As it is, the GNP estimates do not appear to be consistent with industrial production performance. Of course, the service economy, which is expanding slowly, is not captured by industrial production, but an 8% dip in industrial activity probably should relate to a 3-3.5% dip in economic activity unless unusual strength exists in the service economy.

Inventory profits should vanish early this year. Therefore, the apparent slump in adjusted profits should come to an end. Interest rates and currency fluctuations also impact stock values. However, the 14.5% reduction in equity values from their July high to their October low corresponds closely with the estimated 13.7% drop in adjusted profits during that time. Therefore, even as reported profits weaken considerably, equity values could rise because the inventory profits, and therefore the tax liability, are falling sharply.

The uptick in leading indicators for December almost certainly will not be sustained. Therefore, some weakness into the second quarter seems likely according to this index. (The decline in the workweek alone will drop the indicators by 0.4% in January.

As oil prices decline, our trade balances should improve sharply. The non-oil deficit of the United States has improved by $25 billion to less than $45 billion in 1990. Under current exchange conditions and with the aid of sluggish local demand, that deficit should fall a further $20 billion in 1991. If our oil deficit falls to $50 billion, as expected, a substantial improvement in our trade deficit is likely. Initially, the dollar may not respond to these gains, as investors will look at the interest rate differentials, which are widening in Europe. However, the decline in trade deficits will persist at current exchange rates, leading to the potential for dollar scarcity in a few years. This should entice international investors to begin purchasing dollars during the second half of this year. The yen may never fall significantly below 130 and should exceed 140 by the end of the year. The mark easily could rise to 1.35 but then should begin moving back toward 1.40 before the end of the year.

FINANCIAL MARKETS

The world waited in January and economic activity fell. Corporations are handling their inventories remarkably well, although some unintended inventories have surfaced, especially at the retail level. This has created some corporate borrowing needs, especially as profits are falling sharply. However, the profit picture should stabilize in the spring and could improve in the summer. Capital spending now is being curtailed. As a result, corporations are beginning to reduce their borrowing needs as inventory prices fall. They should remain subdued in their borrowing throughout the year, but some increased borrowing is likely during the fall.

International investors have been enticed into European currencies because of the borrowing activity there. The Bundesbank continues to offset the inflationary forces from reunification spending. This has caused the dollar to weaken and the investors to look elsewhere. As a result, interest rates in the United States are surprisingly low relative to Eurodollar rates. Foreign pressures clearly are trying to push domestic rates upward, but the Federal Reserve is willing to accept currency fluctuations to absorb these pressures. (Of course, such fluctuations raise inflationary fears the lead to higher long-term rates than otherwise would prevail. Therefore, the yield curve steepens significantly.) Trade balances may be more important than interest rate differentials late this year, for the mark certainly will become overvalued and even the Asian currencies will be expensive. Therefore, the foreign investors will add to interest rate pressures early but may try to relieve them through increased capital flows later.

Consumers are not expected to change their savings substantially this year. Housing will continue to slide into the spring, but then should expand in the summer. Therefore, the household sector will permit a downward drift in interest rates until summer, but then will exert upward pressure on rates.

Of course, the war matters for any government evaluation. Substantial spending to replace damaged equipment will exert substantial upward pressures on interest rates. A short war with the current pledges being met by our allies will add little to the deficit. The deficit is huge (more than $320 billion excluding social security surpluses) but it will not be growing. Therefore, its impact already should be reflected in the markets.

All the above suggests that interest rates could fall sharply through the spring (even more sharply than currently projected) and then should stabilize in the summer. Rising rates are possible in the fall but are more likely next year.

EQUITY MARKETS-Equity markets are not dramatically overvalued, as mentioned above. Some excesses in the high capitalization stocks may have developed as issues were bought or sold on war news rather than earning potential. However, our model shows dramatic gains during the spring before the market turns sideways late in the year. Underneath that change should be a rotation toward lower capitalized stocks and away from the blue chips. Therefore, the Dow should underperform the market during the latter part of the year. Although total gains are expected to be slightly more than 6% excluding dividends, the lower capitalized stocks should do twice that.

Early in the year interest sensitive sectors, such as home building, utilities, and regional financial institutions look favorable. Capital equipment could be underweighted this year before adding them aggressively next year. Similarly, most industrial materials, such as metals, chemicals, paper and plastics could be postponed until later. However, falling oil prices could make some chemicals attractive. Europe's economy is slowing. Therefore, the multinationals could be a source for raising funds. Some of the technology stocks should do well.

Despite the uncertainties created by recession and the war, cash should be put to use. Even some of the remaining airlines, the drugs, and some consumer related activities, such as shopping and dining, should be accumulated. Until interest rates begin rising, and they are still falling significantly, equity investments should provide strong earnings potential of the next year.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate	Hourly Earnings	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	Proj	AR%
July 1990	110740		124.8		117882		5.5	10.07	
August	110613	0.5	124.6	0.6	117690	-1.3	5.6	10.09	4.3
September	110612		125.3		117883		5.7	10.13	
October	110432		123.1		117733		5.7	10.12	
November	110165	-1.6	123.4	-4.4	117386	-0.9	5.9	10.14	2.1
December	110017		124.0		117574		6.1	10.19	
January 1991	109785		121.7		116922		6.2	10.18	
February	109821 *	-1.4	122.5 *	-4.0	116974 *	-2.0	6.4 *	10.22 *	2.7
March	109853		122.5		117004		6.5	10.25	
April	109776		122.1		116976		6.7	10.27	
May	109832	0.0	122.2	-0.2	117012	0.1	6.8	10.30	3.2
June	109853		122.2		117043		6.8	10.32	
July	109896		122.3		117096		6.9	10.36	
August	109914	0.3	122.4	0.8	117108	0.4	7.0	10.38	3.4
September	109937		122.5		117156		7.0	10.41	
October	109968		122.7		117224		6.9	10.44	
November	109998	0.4	122.8	1.4	117221	0.5	7.0	10.47	3.5
December	110143		123.0		117331		6.9	10.51	
Chng Dec(91)/Dec(90)		0.1		-0.8		-0.2	0.7 #		3.1
Chng Dec(90)/Dec(89)		0.6		0.6		-0.3	0.6 #		3.7

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
July 1990	4.663		2.727		184.2		3.958		3.774	
August	4.675	5.0	2.728	5.7	165.0	-46.9	3.966	4.5	3.801	8.4
September	4.698		2.747		150.2		3.983		3.833	
October	4.696		2.732		155.9		3.982		3.826	
November	4.714	3.5	2.729	0.7	166.5	-6.9	3.998	3.3	3.831	3.7
December	4.747		2.756		168.1		4.024		3.856	
January 1991	4.730 *		2.739 *		156.4 *		4.008 *		3.851 *	
February	4.742	2.0	2.744	1.0	157.7	-19.8	4.021	2.0	3.864	3.0
March	4.757		2.754		150.1		4.034		3.883	
April	4.775		2.765		150.0		4.049		3.899	
May	4.793	4.4	2.777	4.6	157.1	2.0	4.063	4.4	3.906	4.5
June	4.815		2.788		159.4		4.083		3.923	
July	4.832		2.798		154.4		4.096		3.942	
August	4.855	5.3	2.810	4.9	155.4	5.0	4.116	5.3	3.960	5.3
September	4.883		2.822		162.4		4.141		3.978	
October	4.904		2.838		159.6		4.158		3.999	
November	4.920	5.7	2.848	5.7	153.1	-0.3	4.171	5.7	4.018	5.9
December	4.949		2.862		159.2		4.195		4.036	
Chng Dec(91)/Dec(90)		4.3		3.8		-5.3		4.2		4.7
Chng Dec(90)/Dec(89)		5.6		5.1		-1.4		5.2		5.5

PROJ includes current information until the * and then projections by month thereafter
AR% is the annualized percentage change from the previous quarter.
is the percentage change in the labor force

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
July 1990	3664.7		482.9		1192.0		1989.8		2695.0	
August	3692.1	8.0	475.9	3.3	1208.1	9.1	2008.2	8.6	2696.5	2.7
September	3723.4		488.2		1214.8		2020.5		2698.8	
October	3716.7		473.3		1216.2		2027.2		2673.6	
November	3721.5	3.8	471.1	-7.2	1219.5	4.5	2030.9	6.1	2670.0	-3.1
December	3746.0		475.9		1219.3		2050.8		2683.8	
January 1991	3741.4 *		466.4 *		1217.8 *		2057.3 *		2669.7 *	
February	3753.9	3.1	466.4	-4.1	1219.4	0.3	2068.2	6.5	2676.4	0.4
March	3773.4		472.8		1220.2		2080.4		2688.6	
April	3788.4		475.8		1221.0		2091.6		2694.5	
May	3795.8	4.6	471.8	4.5	1220.6	0.8	2103.4	6.9	2692.0	2.4
June	3812.6		473.6		1223.3		2115.7		2695.8	
July	3831.4		476.3		1227.5		2127.6		2701.6	
August	3849.7	5.4	477.1	2.8	1233.1	3.8	2139.5	7.0	2707.6	1.9
September	3867.4		477.6		1238.4		2151.4		2711.5	
October	3887.4		480.1		1243.8		2163.6		2717.7	
November	3906.1	6.0	482.5	5.1	1248.5	4.9	2175.2	6.8	2722.6	2.4
December	3924.4		486.4		1251.1		2186.9		2727.9	
Chng Dec(91)/Dec(90)		4.8		2.2		2.6		6.6		1.6
Chng Dec(90)/Dec(89)		5.4		-0.3		5.4		6.9		-0.2

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
July 1990	150.20		22.77		9.7		96.00		31.43	
August	150.24	6.4	22.67	-0.3	9.4	7.2	97.18	10.2	30.40	1.2
September	151.56		22.56		10.1		97.79		31.21	
October	151.75		22.57		9.3		97.69		31.49	
November	151.63	2.2	22.29	-5.0	8.7	-28.0	98.16	4.1	31.18	1.6
December	151.06		22.28		8.9		98.03		30.75	
January 1991	150.29 *		22.17 *		8.6 *		97.89 *		30.23 *	
February	150.42	-2.2	22.06	-4.4	8.6	-10.0	98.02	0.2	30.34	-7.9
March	151.21		22.16		9.0		98.09		30.96	
April	151.61		22.31		9.1		98.15		31.15	
May	151.13	2.1	22.25	2.7	8.8	9.5	98.12	0.8	30.76	5.8
June	151.55		22.28		8.9		98.34		30.93	
July	152.19		22.37		9.0		98.67		31.15	
August	152.73	3.4	22.43	2.2	9.1	7.7	99.12	3.8	31.18	3.3
September	153.21		22.40		9.2		99.55		31.26	
October	153.92		22.47		9.0		99.98		31.47	
November	154.57	5.0	22.53	2.3	9.1	1.5	100.36	4.9	31.68	7.2
December	155.22		22.58		9.3		100.57		32.07	
Chng Dec(91)/Dec(90)		2.8		1.3		4.5		2.6		4.3
Chng Dec(90)/Dec(89)		3.6		0.5		0.0		5.3		0.6

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CONSTRUCTION

	Housing Starts		Single Family Starts		Multi-Family Starts		Housing Permits	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
July 1990	1.153		0.875		0.278		1.082	
August	1.131	-22.3	0.836	-15.9	0.295	-38.8	1.050	-17.8
September	1.106		0.859		0.247		0.992	
October	1.026		0.839		0.187		0.920	
November	1.127	-26.4	0.768	-28.7	0.359	-19.0	0.906	-46.5
December	0.987		0.755		0.232		0.846	
January 1991	0.962 *		0.736 *		0.226 *		0.841 *	
February	0.959	-27.2	0.742	-18.4	0.217	-49.8	0.836	-20.4
March	0.979		0.767		0.212		0.847	
April	1.005		0.784		0.221		0.891	
May	1.025	22.8	0.789	23.4	0.236	21.0	0.903	31.1
June	1.023		0.793		0.230		0.907	
July	1.048		0.805		0.243		0.915	
August	1.062	20.5	0.822	18.8	0.240	26.8	0.931	13.7
September	1.089		0.843		0.246		0.943	
October	1.082		0.827		0.255		0.926	
November	1.106	16.4	0.842	10.6	0.264	37.9	0.934	9.7
December	1.135		0.864		0.271		0.994	
Chng Dec(91)/Dec(90)		15.0		14.4		16.8		17.5
Chng Dec(90)/Dec(89)		-22.5		-18.9		-32.2		-40.3

	Non-Residential		Public Construction		Residential Construction		Construction Expenditures		Real Construction Expenditures	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
July 1990	144.7		108.1		188.5		441.3		399.3	
August	139.1	6.0	112.8	7.5	184.4	-10.1	436.3	-7.5	398.4	-8.9
September	137.8		106.4		179.7		423.9		388.8	
October	134.6		111.9		176.8		423.3		394.0	
November	131.7	-19.9	113.9	17.8	171.5	-24.1	417.1	-13.4	376.4	-12.9
December	132.5		115.2		167.5		415.2		375.7	
January 199	130.4 *		114.0 *		164.6 *		409.0 *		370.1 *	
February	130.3	-6.8	113.6	0.9	162.5	-20.3	406.4	-10.6	366.5	-14.7
March	131.1		114.2		160.3		405.6		365.1	
April	130.8		114.9		160.9		406.6		365.3	
May	131.3	0.8	115.6	6.0	162.7	0.2	409.6	2.0	367.4	-0.6
June	130.5		116.3		164.0		410.8		367.4	
July	130.2		116.9		165.8		412.9		368.3	
August	130.6	-0.4	117.4	6.4	167.2	12.3	415.2	6.5	369.4	3.4
September	131.4		117.9		169.0		418.3		371.5	
October	132.2		118.5		170.4		421.1		373.3	
November	132.0	5.1	119.2	6.2	172.3	12.8	423.5	8.4	374.4	5.7
December	132.9		119.8		174.6		427.3		376.8	
Chng Dec(91)/Dec(90)		0.3		4.0		4.2		2.9		0.3
Chng Dec(90)/Dec(89)		-2.1		7.7		-11.7		-3.9		-5.4

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BUSINESS ACTIVITY

	Manufacturers Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
July 1990	373.3		128.09		39.84		35.10	
August	374.3	3.2	126.98	3.2	35.87	20.9	36.72	4.6
September	377.0		124.94		38.26		36.60	
October	377.5		129.46		41.63		36.57	
November	378.2	3.7	116.43	-12.6	35.81	20.1	35.96	-0.3
December	379.2 *		121.56		41.87		35.81	
January 1991	380.1		120.67 *		38.83 *		36.56 *	
February	380.8	2.7	120.45	-4.2	37.76	-9.0	36.21	2.4
March	381.7		122.38		39.94		36.21	
April	382.3		121.97		38.85		36.24	
May	384.0	3.2	121.53	0.5	38.21	-7.5	36.63	0.6
June	385.3		120.46		37.23		36.27	
July	386.2		120.98		37.46		36.53	
August	387.5	3.9	121.35	-0.8	37.18	-9.2	36.68	0.9
September	388.9		120.92		36.92		36.18	
October	390.0		120.85		36.21		36.24	
November	391.7	4.3	120.96	1.2	36.53	-3.3	36.36	-0.7
December	393.2		122.53		37.89		36.59	
Chng Dec(91)/Dec(90)		3.7		0.8		-9.5		2.2
Chng Dec(90)/Dec(89)		2.2		-7.7		-5.7		2.4

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
July 1990	802.2		8.95		110.4		83.8	
August	807.5	4.8	9.11	-3.2	110.5	3.7	83.6	1.1
September	810.8		8.91		110.6		83.5	
October	814.3		8.77		109.8		82.7	
November	816.4	5.0	9.23	4.2	107.8	-8.0	81.0	-10.4
December	819.6 *		9.25		107.1		80.4	
January 1991	821.0		9.06 *		106.3 *		79.6 *	
February	822.4	2.9	9.27	6.0	106.1	-7.5	79.2	-10.1
March	824.2		9.32		106.0		78.9	
April	825.7		9.26		105.7		78.5	
May	828.2	2.8	9.18	-2.4	105.5	-1.9	78.2	-4.6
June	830.7		9.04		105.7		78.2	
July	833.4		9.06		105.9		78.2	
August	836.2	4.0	9.01	-6.1	106.1	1.8	78.1	-0.8
September	839.5		8.98		106.3		78.1	
October	842.2		8.95		106.5		78.0	
November	845.5	4.4	8.99	-0.7	106.7	2.4	78.1	-0.2
December	848.7		9.06		107.0		78.2	
Chng Dec(91)/Dec(90)		3.6		-2.1		-0.1		-2.7
Chng Dec(90)/Dec(89)		3.0		-5.6		-1.4		-3.9

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
July 1990	130.5		117.5		113.4		131.5	
August	131.5	6.4	119.0	5.9	115.9	9.3	132.0	3.7
September	132.5		120.9		118.3		132.7	
October	133.3		122.2		121.3		132.8	
November	133.7	6.9	122.8	11.3	120.6	16.1	133.2	2.8
December	134.1		122.1		118.9		132.9	
January 1991	134.5 *		122.2 *		118.6 *		133.8	
February	134.6	2.6	121.8	-2.0	117.0	-10.0	134.5	4.5
March	134.6		121.2		115.8		135.1	
April	134.8		121.1		115.5		135.4	
May	135.2	1.9	121.3	-1.6	115.7	-4.7	135.8	4.1
June	135.6		121.5		116.0		136.2	
July	136.0		121.7		116.2		136.6	
August	136.3	3.4	121.9	2.1	116.5	0.6	137.1	3.8
September	136.7		122.1		115.0		137.5	
October	137.1		122.4		116.6		137.9	
November	137.6	3.6	122.6	2.4	117.0	4.0	138.5	4.0
December	137.9		122.9		117.5		138.9	
Chng Dec(91)/Dec(90)		2.9		0.6		-1.2		4.5
Chng Dec(90)/Dec(89)		6.1		5.6		5.9		4.5

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
July 1990	136.0		112.2		130.0		147.6		110.8	
August	136.9	5.2	112.2	0.7	131.2	6.6	148.6	5.4	111.2	4.4
September	138.0		112.5		133.3		149.3		110.9	
October	139.0		112.8		134.6		150.1		110.8	
November	139.4	7.1	112.7	1.6	135.0	11.0	150.6	5.5	110.8	-1.0
December	139.6		112.7		135.3		150.8		110.5	
January 1991	140.1 *		112.9 *		135.5 *		151.5 *		110.5 *	
February	140.3	2.7	113.0	1.1	134.9	-0.2	152.1	4.3	110.9	0.5
March	140.3		113.2		134.3		152.7		111.1	
April	140.6		113.4		134.1		153.3		111.3	
May	141.0	2.2	113.5	1.7	134.2	-1.9	153.9	4.8	111.5	2.6
June	141.4		113.6		134.5		154.5		111.8	
July	141.8		113.8		134.7		155.1		112.1	
August	142.2	3.4	114.0	1.8	134.9	2.0	155.6	4.6	112.4	3.0
September	142.6		114.2		135.2		156.2		112.6	
October	143.0		114.5		135.4		156.8		112.8	
November	143.5	3.6	114.7	2.6	135.7	2.3	157.4	4.5	113.1	2.6
December	143.9		115.0		136.0		157.9		113.4	
Chng Dec(91)/Dec(90)		3.1		2.0		0.5		4.7		2.6
Chng Dec(91)/Dec(90)		5.6		1.0		8.5		4.9		1.6

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj
July 1990	-9.12		146.2		5489		4174		-7.8
August	-9.73	-81.4	144.5	-3.0	5518	5.3	4181	1.4	-28.6
September	-9.33		143.5		5539		4173		-33.3
October	-10.99		141.6		5525		4159		-31.4
November	-9.70 *	-44.6	140.0	-11.0	5509	0.3	4135	-2.4	-19.6
December	-10.21		140.1		5523		4156		-14.7
January 1991	-9.46		138.9 *		5506		4116		-9.8
February	-8.53	47.8	139.3	-4.4	5534	0.8	4116	-3.5	-1.1
March	-8.27		138.8		5551		4109		-0.5
April	-7.53		139.2		5565		4109		-2.2
May	-6.94	51.2	139.8	2.4	5594	4.0	4120	-0.1	-3.7
June	-7.48		140.5		5595		4108		-4.8
July	-7.62		140.8		5625		4118		-4.9
August	-6.85	13.3	141.3	4.3	5662	5.1	4129	1.3	-5.6
September	-6.71		141.8		5677		4128		-7.3
October	-6.26		142.0		5704		4136		-9.2
November	-6.53	35.1	142.2	3.1	5734	5.3	4140	1.7	-11.6
December	-6.22		142.9		5766		4152		-11.1
Chng Dec(91)/Dec(90)		39.1		2.0		4.4		-0.1	
Chng Dec(90)/Dec(89)		-33.4		-3.6		5.0		0.3	

	Currency Index		Adjusted Profits		30 - Year Government Bonds		New York Composite	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
July 1990	89.68		164.0		8.50		196.61	
August	86.55	-2.0	160.7	-24.7	8.86	5.3	181.45	-14.5
September	86.10		160.1		9.03		173.22	
October	83.43		141.6		8.86		168.05	
November	82.12	-19.0	141.7	-41.3	8.50	-11.4	172.21	-21.1
December	83.35		141.2		8.24		179.26	
January 1991	81.76 *		140.7		8.15 *		176.83 *	
February	82.43	-6.1	143.1	3.1	7.86	-28.5	187.65	32.4
March	80.85		143.9		7.53		192.79	
April	80.21		145.1		7.47		194.07	
May	80.67	-5.7	144.6	5.3	7.52	-15.5	192.73	14.1
June	80.57		143.5		7.58		189.20	
July	81.27		143.6		7.65		188.79	
August	82.69	8.0	145.6	2.3	7.64	8.8	194.66	-0.9
September	82.18		146.5		7.76		191.23	
October	83.47		147.4		7.85		192.87	
November	82.89	7.1	146.6	4.9	7.91	11.8	188.62	-1.9
December	84.01		146.8		7.94		190.37	
Chng Dec(91)/Dec(90)		0.8		4.0		-3.6		6.2
Chng Dec(90)/Dec(89)		-12.2		-15.5		4.3		-7.0

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
July 1990	309.2		809.0		3287.8		8.15		7.52	
August	312.5	8.9	815.9	4.4	3305.4	3.2	8.13	-4.0	7.38	-16.3
September	316.8		822.2		3319.8		8.20		7.32	
October	317.9		820.1		3320.1		8.11		7.16	
November	319.5	8.2	822.6	3.5	3316.4	1.9	7.83	-18.6	7.05	-21.6
December	319.7		825.5		3323.3		7.31		6.70	
January 1991	328.1 *		824.1 *		3320.0 *		6.97 *		6.31 *	
February	333.2	17.9	826.3	1.7	3327.4	0.9	6.33	-52.3	5.96	-45.1
March	336.1		828.4		3335.6		6.02		5.73	
April	339.5		831.2		3347.1		5.78		5.62	
May	342.3	12.2	834.0	3.8	3360.3	4.1	5.76	-35.0	5.60	-22.8
June	344.8		836.9		3375.2		5.81		5.65	
July	346.5		839.7		3389.0		5.85		5.72	
August	348.1	7.0	842.6	4.1	3402.7	5.0	5.94	8.3	5.85	15.8
September	349.6		845.2		3414.7		5.91		5.93	
October	352.0		848.0		3429.4		5.97		5.98	
November	353.7	6.6	851.1	4.2	3444.5	5.2	6.05	8.1	6.05	13.7
December	355.2		854.7		3462.1		6.03		6.04	
Chng Dec(91)/Dec(90)		11.1		3.5		4.2		-17.5		-9.9
Chng Dec(90)/Dec(89)		8.2		3.9		3.2		-13.5		-9.7

	AAA (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Papers		90 Day CD's		Prime Rate	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
July 1990	9.24		7.19		7.99		8.10		10.00	
August	9.41	0.3	7.32	-1.6	7.88	1.1	7.97	-13.2	10.00	0.0
September	9.56		7.43		7.96		8.06		10.00	
October	9.53		7.49		7.98		8.06		10.00	
November	9.31	-4.5	7.16	-3.6	7.85	-3.3	7.98	-4.4	10.00	0.0
December	9.05		7.09		7.80		7.82		10.00	
January 1991	9.04 *		7.11 *		7.26 *		7.38 *		9.50 *	
February	8.92	-14.5	6.97	-12.9	6.47	-50.7	6.82	-44.8	9.03	-29.1
March	8.86		6.92		6.07		6.37		9.00	
April	8.71		6.85		5.92		6.09		9.00	
May	8.59	-12.4	6.67	-15.2	5.84	-38.1	5.98	-41.1	8.62	-19.0
June	8.65		6.63		5.80		5.95		8.50	
July	8.68		6.65		5.91		5.99		8.50	
August	8.84	7.3	6.79	2.6	5.98	8.2	6.14	6.1	8.50	-6.0
September	8.89		6.84		6.02		6.16		8.72	
October	8.93		6.88		6.05		6.15		9.00	
November	8.98	8.1	6.92	9.6	6.13	11.2	6.22	8.8	9.00	21.4
December	9.02		6.95		6.21		6.31		9.00	
Chng Dec(91)/Dec(90)		-0.3		-2.0		-20.4		-19.3		-10.0
Chng Dec(90)/Dec(89)		2.1		1.6		-5.9		-6.0		-4.8

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